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Taxes and the California Beverage Container Recycling and Litter Reduction Program

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Have you ever wondered what happens to all the plastic bottles that are recycled in California? Well, they are reprocessed and made into items such as carpeting, toys, and clothing. Other types of recycled material—such as aluminum cans and glass containers—have similarly diverse uses. The re-use of these resources is aided by California’s Beverage Container Recycling and Litter Reduction Program (also known as the “Bottle Bill” or “CRV” program). Established by the California Legislature in 1986, the program encourages the voluntary recycling of beverage containers by guaranteeing a minimum refund --- the California Redemption Value (CRV) --- for each container returned to a certified recycling center or location. Currently, Californians recycle about 12 billion containers a year, less than two-thirds of the 20 billion containers that are eligible for recycling under the CRV program..

The CRV is applied to the distribution of glass, plastic, aluminum, and certain other metal containers based on the content and the size of the container. Consumers pay the CRV fee reimbursement for each beverage container at the time of purchase; the CRV fee reimbursement is refunded when the empty beverage container is returned for recycling. The CRV program is administered by the Division of Recycling of the California Department of Conservation. Because the State Board of Equalization (BOE) administers the sales tax (which is levied on sales of many items subject to the CRV), it receives numerous inquiries about the recycling program. Here are some frequently asked questions and answers about taxes and the CRV:

Q: Is the CRV a tax?

A: No. Under state law, the CRV is neither a tax nor a deposit. Rather, it is a regulatory fee collected for the purpose of encouraging the recycling of beverage containers sold in California.

Q: What kinds of beverages and containers are included in the CRV program? What kinds are excluded?

Beverages Subject to the CRV When Sold in Glass, Plastic, Aluminum, and Certain Other Metal Containers (if in liquid, ready-to-drink form and intended for human consumption)	Not Subject to the CRV, Regardless of the Container Type
Water (carbonated and noncarbonated)	Milk
Coffee and tea drinks	Medical food (such as amino acid-free food)
Soft drinks, sport drinks, and fruit drinks (carbonated and noncarbonated)	Infant formula
Beer and other malt beverages	Wine, including non-alcoholic and sparkling
Wine and distilled spirit coolers containing 7% or less alcohol	Distilled sprits with more than 7% alcohol
Vegetable juice in containers of 16 ounces (oz.) or less	Vegetable juice in containers more than 16 oz.
100% fruit juice in containers of less than 46 oz.	100% fruit juice in containers of 46 oz. or more

Q: What are the current CRV rates?

A: Currently, there are two rates.

- For each container holding less than 24 ounces, the CRV rate is 4 cents.
- For each container holding 24 ounces or more, the CRV rate is 8 cents.

These amounts reflect the fee increases that went into effect in 2004. Following those increases, recycling rates in California for eligible containers increased from 55 percent in 2004 to about 60 percent in 2005.

Q: Does sales tax apply to the CRV fee reimbursement paid by consumers?

A: The CRV fee reimbursement is subject to sales tax only if the sale of the beverage is subject to sales tax. If sales tax does apply, the amount due is based on the total amount of the sales price that includes the CRV amount. For example, if you purchase a 12-ounce can of soda, you will pay sales tax reimbursement on the total price you pay, which includes the four-cent CRV fee reimbursement. On the other hand, if you buy a 12-ounce bottle of noncarbonated water, you should not be charged sales tax reimbursement on either the price of the water or on the 4-cent CRV fee reimbursement.

Q: Is it possible for a beverage sale to be exempt from sales tax but its container still be subject to the CRV?

A: Yes. Sales of noncarbonated drinks are generally exempt from sales tax, but their containers are subject to the CRV. On the other hand, sales of carbonated and alcoholic beverages are generally subject to both the sales tax and the CRV for their containers.

Q: How do I know if a particular container is subject to CRV?

A: A container included in the CRV program will have “CA CRV,” “CA Cash Refund,” “CA Redemption Value,” or other similar wording on the beverage container.

Q: I bought a 32-ounce bottle of carrot juice, which is not subject to the CRV; however, I was charged the CRV fee reimbursement anyway. Why?

A: Since vegetable juice containers greater than 16 ounces are not covered under the program, you should not have been charged for CRV fee reimbursement. However, sometimes stores make mistakes. If this occurs again, contact a store manager or the Division of Recycling at the toll-free phone number shown below.

Q: The bottle cap on my soda said I won a free soda. When I went to the store to get a 99-cent can for free, I had to pay CRV fee reimbursement and sales tax reimbursement. Why?

A: The winning bottle cap is considered a manufacturer’s coupon entitling you to 99 cents off of the selling price. Therefore, it was proper for the store to charge the CRV fee reimbursement and sales tax reimbursement on the transaction. The sales tax is charged on the full sales price of the item (including the CRV fee reimbursement) before deducting the value of the coupon.

Q: How are the proceeds of the CRV program used?

A: Funds left over after refunding consumers for the CRV amounts they paid at the time of purchase are used for the costs of the Beverage Container Recycling Program, including city and county litter cleanup programs, a statewide public education campaign, and various conservation grants.

Additional Resources:

- For questions regarding the CRV program, visit www.consrv.ca.gov/dor/ or contact the California Department of Conservation’s Division of Recycling at 1-800-732-9253 (1-800-RECYCLE).
- For questions regarding sales taxes, visit www.boe.ca.gov or contact the BOE Information Center at: 1-800-400-7115.